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ABSTRACT

The Training Guarantee Act (TGA) passed by the Federal Parliament of Australia in 1990 establishes a training guarantee scheme. It requires employers to invest in high quality, employment-related training that will most benefit their businesses. The levy is having an impact on many facets of human resource development in Australia. In seeking to bring together the urgent need for Australian industry to lift its contribution to training and the government's desire not to intervene unnecessarily in enterprise training decisions, a minimum expenditure obligation scheme has been proposed. Registered Industry Training Agents (RITAs) have been established to advise employers on eligible programs and eligible expenditure. Investment in training in industry is increasing and will continue to increase in the near future. Quality audits of training should be required to ensure consistency and quality of on-the-job training. Because of the potential for difficulty and conflict between government agencies and the private sector, the Commonwealth Government needs to contribute to the quality training provision by industry. Finally, as a result of the training levy, workplace reforms are taking place in terms of appropriate management and employee work practices, better forms of work organization, and more cooperative industrial relations. For full benefits of the TGA to be achieved, a comprehensive, integrated approach needs to be adopted. (11 references) (YLB)

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TRAINING GUARANTEE: A LEVY TO IMPROVE THE QUALITY OF AUSTRALIAN WORKFORCE

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Introduction

In a landmark decision in 1988 the [then] Australian Conciliation and Arbitration Commission established a new award system based on Structural Efficiency Principles (SEP). The purpose of SEP is basically the attainment of improvements in productivity and efficiency by effecting changes in the current approach to work practices, training, skills development, and career development. On 31 May 1990 the Training Guarantee Acts were passed by the Federal Parliament of Australia to establish and administer a training guarantee scheme. The purpose of the scheme is to impose a minimum expenditure obligation of one percent of payrolls of $214 000 or more to be spent on quality employment-related training. The payroll threshold is indexed to average weekly earnings and from July 1992 the percentage rises to 1.5 per cent (National Training Board, 1991). SEP and the Training Guarantee have as their major focus human resource development underpinned by skills enhancement and training.

The relationship among and contributions of employer, employee, employment, and training is a critical element in productivity and human resource development in a workplace. In fact, the employer emerges as a dual player by providing both employment and training to its workforce. This dual role is guaranteed by the levy and employers can meet the training levy requirements in the following manner: Employers who are not already conducting formal training, can establish training programs to meet the needs of their employers; or Employers who are already conducting training can structure and improve the training to meet the requirements of the Training Guarantee. The Training Guarantee paves the way to improve the quality of the skills of the workforce while ensuring quantity and quality of training provided by the employers. That is, it ensures that training conducted by employers is and meets eligibility requirements.

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Employee training and employer expenditure prior to the levy

A survey on "How Workers get their Training in Australia" was conducted by the Australian Bureau of Statistics in 1989. According to the survey (ABS, 1990a), seventy nine per cent of Australian workers undertook some form of training in the twelve months to July 1989.

The number of wage and salary earners who undertook training decreased with age from 93 per cent of persons aged 15 to 24 years, to 49 per cent of persons aged 55 to 64 years. Professionals had the highest participation in training (92%) and 23% of that group undertook study for an educational qualification in 1988. Plant and machine operators and drivers recorded the lowest rate (64%). Relatively few undertook study for an educational qualification after the age 44 years. Employers in industries such as electricity, gas and water, communication, and business services industries had high participation in training while primary industries reported the lowest participation. Some 84% of public sector employees received training compared with 77% of workers in the private sector. The incidence of training increased with the number of employees at the business location. Greater emphasis was placed on in-house and employer supported external training courses for employees from large businesses.

A survey conducted by the Australian Bureau of Statistics on "Employer Training Expenditure in Australia (ABS, 1990b) revealed that during the months July to September, 1989 Australian employers spent an amount equivalent to 2.2 percent of gross wages and salaries on the formal training of their employees. This represents $133 per employee or five and a half hours of training per employee. In addition, the ABS report indicated that large employers with 100 or more employees spent a higher proportion of gross wages and salaries on formal training than did those with fewer employees.

However, the report revealed that small employers spent a higher percentage of gross wages and salary (3.4%) and provided more training per employee (14 hours) than did medium (2.2% and six and a half hours) or large employers (2.9% and seven and a half hours) during the same quarter. By payroll size, employers with $200,000 or more gross wages and salaries per annum spent 2.4% on formal training and those with less than the $200,000 spent an estimated 0.9%. Fewer employers in the private sector reported training expenditure (21%) than did employers in the public sector (61%). Employers in the private sector spent 1.7% and public sector employers spent 3.3% of gross wages and salaries on formal training.

Employer training expenditure following the levy

A training expenditure survey (ABS, 1990c) estimated that Australian employers spent the equivalent of 2.6% of gross wages and salaries on the formal training of their employees during the period 1 July to 30 September 1990. Accordingly, average expenditure reported on formal training was $163 per employee. Further, employees received an average of 5.9 hours of formal training over the three months. By comparison, during the period 1 July to 30 September 1989, training expenditure was estimated to be 2.3%, $133 per employee and employees received 5.7 hours training. Employers in the private sector overall spent 2.2% and the public sector employers spent 3.2% of gross wages and salaries on training. Further, employers in the private sector with gross wages and salaries over $200,000 per annum spent an average of 2.4% on formal training.

The survey findings identified air transport ($564), mining ($462), and communication ($347) with the highest average training expenditure per employee and restaurants, hotels and clubs ($44); retail trade ($61); and wood products manufacture ($77) with the lowest average training expenditure per employee. In addition, training costs per training hour varied considerably across the industry from $11 per hour in the personal services industry up to $77 in air transport. The highest level of trade and apprenticeship training hours per employee were recorded in industries, including construction (6.7), electricity, gas and water (3.3), and mining (2.9). The highest levels of management and professional training hours per employee were recorded in the industries, including public administration and defence (1.8), community services (1.8), finance, property and business services (1.3), and communication (1.2).

Emphasis on the training expenditure by employers

Training is recognised as an important factor in increasing Australia's national and international competitiveness. However, not enough is known on a state and national basis about training expenditure by private and public employers. Currently available information are only estimates. Hours of training received and wage and salary costs of training need to be gathered and analysed for clear understanding of the impact of the training levy. But, it needs time, persons, money, and resources.

The most significant aspect of current efforts to improve skills formation among employees is that there is little argument that further training is needed and it needs to be funded and foster by all stakeholders including governments and industries. The various parties to the Training

Guarantee Act have differing expectations of the outcomes of award restructuring and training. There are reforms taking place at workplaces. The culture of many organisations are changing through training and modern management tools and the training levy has a positive role to play in this context. The future success of skilling Australia will be determined by a combination of award restructuring and the training levy. There must be an integrated approach to skilling. Australia's industrial relations framework has given "thumbs up" to the Training Guarantee and award restructuring. It has given emphasis to training at shopfloor levels. Training is a part of skills formation. The recognition that the Australian workforce is under-trained, and that there is a pressing need for a greater commitment from employers to training is defined in the Training Guarantee Act.

Skills that are most sought by industries fall into ten categories (Field, 1990). They include: self-management, conceptual skills, creative problem solving, holistic thinking, self-directed learning skills, literacy skills, information management teamwork and group listening, communication skills, fault diagnosis and rectification. Further, a number of terms, including skills audit, up-skilling, cross-skilling, multi-skilling, skill formation, and broad-banding are used to describe the process of skill development. Each of these areas of skills can be translated into training. Employers can use these skills to define their training strategic plan and continue with it year after year. In fact, there will not be any end to training. Training must be a continuous process in a work environment for human resource development.

Many employers have agreed that training is needed to avoid high turnover of staff, low product quality, inadequate customer service, frequent accidents, customer complaints, industrial disputes, low productivity, and poor employee morale. Difficulties in any of these areas can be caused by inadequate or inappropriate training. Different types of training programs, including on-the-job training, off-the-job training, computer-aided learning, and self-directed learning could be selected for continuous training. Training must be relevant and appropriate to the needs of the employees. For this reason, needs analyses need to be conducted. A training need is said to exist when there is a gap between present and desired conditions which can be remedied by training. Up till now, only a few larger employers had structured training programs for their employees. But the Training Guarantee made it mandatory that the training levy will be spent by the majority of the employers on structured training programs.

Impact of the training levy

The Training Guarantee Act requires employers to spend on quality, employment-related training

that will most benefit their business. Although it is too early to evaluate the impact of the levy, there are indications that it is impacting on many facets of human resource development in Australia. For the purpose of this paper, the discussion is grouped into: (i) Minimum expenditure obligation, (ii) Establishment of Registered Industry Training Agents (RITAs), (iii) financial contribution, (iv) quality training, (v) workplace reforms, and (vi) benefits to the stakeholders.

Minimum expenditure obligation by industry

Industry Training in Australia: The need for change - a discussion paper released by the Minister for Employment, Education and Training in 1988-began the consultative process leading to the Training Guarantee legislation. The paper highlighted the urgent need for Australian industry to lift its contribution to training and canvassed options to meet the costs of an expanded training system. The Government's view was that it did not want to intervene unnecessarily in enterprise training decisions but that employers must take greater responsibility for their own training requirements. In seeking a way for the two objectives to be brought together, a minimum expenditure obligation' scheme was proposed.

Establishment of Registered Industry Training Agents (RITAs)

RITAs advise employers on eligible training programs and eligible expenditure. Employers who are uncertain about whether their program or expenditure are eligible, can apply for a training advisory certificate from a RITA. Two hundred and ten RITAS have now been appointed. A recent sample survey of RITA operations has indicated that while 50% of those sampled had received requests for certificates, this constituted at most 10% of total inquiries received (NTB, 1991, Newsletter, No, 2). Employers are seeking advice and guidance on the legislation, clarification on eligible training and eligible expenditure, how to structure training programs, and how to keep appropriate training and expenditure records. Requests for assistance from RITAs have come mainly from small or medium sized enterprises where employers have been in doubt about the eligibility of their training program or expenditure.

Industry sectors where certificates have been issued are metals, housing, timber, hospitality, plastics, securities, architecture and the arts. RITAs issue certificates on whether an employer's proposed expenditures and programs are eligible for the purposes of the scheme. Certificates are issued only to the employers who have provided the necessary information. The certificates are accepted by the Australian Taxation Office (ATO) auditors as evidence of a program's

eligibility. Employers who fails to spend the required minimum on eligible training activities will have to finish a statement to the ATO and pay a charge equal to any shortfall. RITAs are the closest link the National Training Board (NTB) has with actual training users. By registering an Industry Advisory Body as a RITA, the NTB will provide public recognition of the contribution the body has made to training in a given industry sector and its capability to provide a high level of service to employers requiring assistance. The partnership approach developed with the NTB will enable RITAs to work closely with industry in the development of appropriate training programs for employers and their staff.

Financial contribution

Investment in training by industry is increasing and will continue to increase in the near future. A legislative foundation has been established to increase the financial training contribution by industry at the national level. While many employers are already involved in training, there has never been a co-ordinated effort to foster the financial contribution of industries to training on a nationwide basis. The scheme has been in operation for a full financial year, but as yet, there is no national information available on the amount contributed by Australian employers on training. However, the outlook seems to be good and is improving. Although the purpose of the scheme is to impose a minimum expenditure obligation to be spent on quality employment-related training, some larger industries such as Qantas, Email, the tourism industries, and metal industries are spending more than the minimum requirement. However, it is too early to speculate on the actual amount of money contributed directly on formal training and human resource development of Australian workforce.

Quality of Training

The Training levy places considerable emphasis on increasing the extent and quality of training conducted by the employers. The training levy is seen as both promoting greater structure and quality in workplace training and providing a framework for integrating on and off-the-job training. The capacity of employers to develop and provide training, however, has been documented as under-developed, suggesting a need for improvement in the quality of training provided for workers. Research conducted by the ABS suggests that the current reality in terms of industry's training commitment and experience is uneven. Their statistics show that workplace training is frequently unstructured and unsystematic; there is a lack of supervisor training; there is generally no overall plan or policy framework within which training occurs on-

the-job; and small employers have little or no existing training infrastructure. There is range of factors, varying greatly across and between industries and employers, which has in the past inhibited the development of adequate training on-the-job. These factors include: the willingness of employers to accept responsibility for structured training; the increasing level of industry specialisations which restricts the range of skills and competencies employed on-the-job; small employers quite often do not have sufficient resources to fund structured training; and many employers simply do not have access to the current and future technologies on which skills training needs to be based.

There is a need for quality audits of training, especially in situations where training is integrated and will be provided by a wide range of, often, small employers, to ensure that processes are in place to monitor and if necessary, correct the standards of both training and assessment being employed. Instructional audit procedures of the kind that would be required to ensure consistency and quality of training on-the-job are potentially difficult and complex to implement. On-the-job assessment audit procedures have an even greater potential for difficulty and indeed even conflict between government agencies and the private sector. Thus, there must be a systematic strategic plan to improve the quality of training provided by employers. The Commonwealth Government needs to contribute to the quality training provision by industry.

Workplace reforms

As a result of the training levy, workplace reforms are taking place in terms of appropriate management and employee work practices, better forms of work organisation and more co-operative industrial relations. For the full benefits of the Training Guarantee to be achieved, a comprehensive, integrated approach needs to be adopted. The training levy has its major thrust on the contribution by industry to training. To be properly effective, however, the contribution by industry cannot be addressed in isolation without award restructuring, multi-skilling, and employee flexibility along with the provision of new career paths underpinned by skills enhancement and training. They must be properly integrated into other aspects of the business undergoing the change process in order to lead lasting productivity improvements and job security. Factors such as the organisational strategic plan, utilisation of resources and technology, better forms of work organisation, increased levels of participation and communication, improved reward systems, and total quality management also need the appropriate focus as a part of the training levy.

Benefits to the stakeholders

The major stakeholders in the Training Guarantee Act include employers, employees, and the government. There are mutual benefits to each stakeholder from the levy. The principal objective of the levy is to increase, and improve the quality of, the employment-related skills of the Australian workforce so that it works more productively, flexibly and safely, thereby increasing the efficiency and international competitiveness of Australian industry. The legislation is not aimed at revenue gathering but rather to encourage employers to undertake the relevant training. This is confirmed by the fact that any eligible expenditure incurred on eligible training programs will be tax deductible whereas payments of the levy will not be tax deductible. The collected funds will then be applied in part to reimbursing the Commonwealth for costs of administering the Act and to monitoring the effectiveness of the operation of the Training Guarantee Act.

Benefits to employers arise directly as a result of their employees participating in eligible training programs or taking part in activities which are integral to, and are undertaken in direct support of, eligible training programs. Employers receive tax exemption for the money expended on training levy. The training expenditure mainly incurred in relation to participation by employees or other persons in eligible training programs provided by fee-charging training providers or by way of payments made to commercial training providers for the development, provision, evaluation and administration of eligible training programs and for related activities are included in the tax exemption. In addition, expenditure incurred by an employer in the form of payments or reimbursement of fees and payments in relation to the Higher Education Contribution Scheme (HECS) are eligible training expenditures where they are incurred in relation to eligible training programs.

Conclusion

To make the most of the Training Guarantee employers should, if they are not already conducting formal training for their employees, establish what their training needs are and seek advice about how to commence a program of training to meet them. On the other hand, if they are already conducting training but that training is not structured in a way that will satisfy the requirements of the Training Guarantee, they should seek advice on how to structure it to comply; and if they are conducting structured training as required, ensure that appropriate training programs and expenditure records are being kept. Unless both employer and employee can readily identify clear benefits from any proposed training contribution and workplace

changes there will be neither incentive nor commitment in attempting the transformation of the Australian workforce. It seems certain that improvement in the training contribution by industry will increase with improvement in the quality of training provided for the human resource development necessary for micro and macro economic reforms necessary for contemporary Australia.

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